


MEMORANDUM

April 7, 2008

TO: County Council

FROM: Michael J. Knapp, Council President 

SUBJECT: **Worksession**—initial reconciliation of the FY09-14 Capital Improvements Program

Based on Council actions to date the Draft FY09-14 CIP assumes about \$363 million more of G.O. bond funded expenditures than is available under the Spending Affordability guidelines and targets. It also assumes about \$69 million more of Current Revenue spending than is available according to the Executive's Public Services Program; although much of this spending is in FYs 11-14 (years in which the Council has not necessarily agreed with the Executive's Current Revenue spending assumptions), about \$5 million is in FY09—spending that is in direct competition with the FY09 Operating Budget.

The Council must bring its programmed spending within the approved spending levels and yet maintain an adequate reserve. Spending much higher than this level and depleting the reserve may not leave enough funds for: (1) projects currently in facility planning or design that will be ready for construction in the next year or two; (2) the inevitable cost increases encountered by existing projects; and (3) unanticipated but desirable programming opportunities. Spending significantly higher than the guidelines and targets may endanger the County's AAA bond rating, since spending at the level of the current guidelines and targets brings debt service already to the brink of 10% of operating revenue (a standard that is recognized and used widely).

Normally CIP Reconciliation occurs in early May and involves small shifts in several projects in order to deal with small aggregate overages (less than \$50 million over the 6-year period) and unevenness in spending across the six years. Typically the May reconciliation does not result in major changes to the Council's funding priorities. But a \$363 million overage is anything but small: reconciling this spending to available revenue means deleting and delaying funding for many high-profile projects. That said, the Council should initially reconcile the CIP now, so that the public is not led on for several months thinking that certain projects are 'safe,' only to see the rug cut out under them at the last minute—and largely in private. A final reconciliation will still occur in May, but it should be of a technical nature dealing with small changes.

The charts on the two-page attachment (©1-2) display how funds would be modified or reallocated, by project, in order to stay within the G.O. Bond guidelines and targets (or, in the case of Current Revenue, to reduce most of the FY09 problem). The key points of the reconciliation are as follows:

MCPS

- Delay the start of the four high school modernizations by one year and the Wheaton HS modernization by two years.
- Delay three elementary school gym projects by two years. The gym projects add no capacity, and are among the lowest priority projects in the MCPS CIP.
- Approve only half the proposed funding increases for several 'level of effort' projects.
- Remove the proposed funding for the middle school reform initiative from the Technology Modernization project.

Public Safety

- Retain full funding of the Judicial Center Annex (i.e., retain the \$100 million added for construction) but spread the construction period over four years instead of three, with completion in FY15 instead of FY 14.
- Fund only the design of five fire station projects, two police station projects, and the PRC Kitchen and Outdoor Firearms Training projects. This follows the principle that building projects not yet in design should be funded only for design until enough is known about the scope, community and environmental impacts, and cost of the project to proceed to construction funding.
- Assume \$2 million of the cost of the Animal Shelter in FY10 will be covered by private contributions.

Libraries and Recreation Centers

- Fund only the design for the North Bethesda and North Potomac centers, and the four neighborhood centers. The scope and cost of these centers are unknown. By providing the design funding on the current schedules all of these projects can proceed, and with more sizable reserve across the six-year period—and especially in the first few years—there is better opportunity that the Council will be able to find funding for projects when they are ready for construction (see discussion of the reserve, below). Create a new project, Neighborhood Recreation Center Construction, as a placeholder of \$17 million for the construction of the four neighborhood recreation centers.
- Reduce funding for the Recreation Modernization project, since much of its scope will be superseded by funding in the stand-alone recreation projects.
- Generally fund only the design of several library projects for the reasons noted above. Exceptions are: the Gaithersburg Library Renovation, which would be fully funded, and the Silver Spring Library, which would be funded as recommended by the Executive.

General Government

- Approve only half the proposed funding increases for several 'level of effort' projects.

M-NCPPC (Parks)

- Delay the Laytonia Recreation Park by one year.
- Delay \$3 million (\$500,000 annually) in Legacy Open Space until after FY14.
- Approve only half the proposed funding increase for Minor New Construction-Non Local Parks.

Transportation

- Retain full funding for Montrose Parkway East, but extend its period for land acquisition over an additional year and start construction 2 years later, completing it in FY16 instead of FY14. In this way it is more likely that the State will program and build the 'missing link' between Parklawn Drive and Rockville Pike in sync with Montrose Parkway East.
- Retain full funding of the Falls Road East Side Hiker-Biker Path, but delay the start of design by 2 years, to FY11. It is a new project, but a lower priority than some others. The project would be completed in FY16, not FY14.
- Delete design funding (and the stand-alone PDF) for Goshen Road South. The project is still in facility planning; following the recommendations of the OLO report, such a project should not be programmed yet. It can be taken up as a CIP amendment once facility planning is complete.
- Delete the Ride On Fleet Expansion project. This project was recommended by Council staff when it believed a much larger amount of unprogrammed transportation impact tax revenue would be available; now that the estimate has been reduced, this project should be eliminated. The County should prepare to buy additional buses in future operating budgets (starting in FY11) as it nearly always has.
- Fund \$3.5 million of the Sidewalk & Infrastructure Revitalization project in FY08 with fund in the G.O. bond reserve rather than in FY09 with Current Revenue.

Capital Reserve

This reconciliation proposal accepts the approach that would fund only design until enough is known about a project's scope, community and environmental impact, and cost to determine how—or even whether—to proceed to construction. However, the proposal contains a couple of notable aspects:

- Several large projects that are or shortly will be in design—Judicial Center Annex, Bethesda Metro South Entrance, Montrose Parkway East, and a host of MCPS projects—would be programmed with full construction funding. Therefore, these projects should not draw on the capital reserve, unless there are cost overruns.
- The capital reserve itself would be significantly larger than earlier planned: instead of about \$279 million, it would be about \$351 million (including the \$17 million programmed reserve for the neighborhood recreation centers). Furthermore, much more of this reserve would be available in the first four years (FYs09-12): \$144 million, more than 50% higher than the \$94 million planned in the February SAG review.

This means that although many library, recreation, fire station, and police station projects would be funded for design only now, there is a much greater opportunity for funds to be available once the Council knows their respective scopes, impacts, and costs, and decides to proceed with them.

Current Revenue

This reconciliation proposal nearly eliminates the 'FY09 problem' in Current Revenue, although it leaves a large amount of additional funding in FYs11-14. Recall, however, that the Executive recommended reducing funds available for Current Revenue spending by about \$100 million between the Approved CIP and his Recommended CIP. The Council has been less willing to expect that this large a change is necessary in FYs11-14. Even with the \$57 million higher spending in FYs11-14, the post-reconciliation spending implicitly assumes about \$43 million less in Current Revenue spending in those years than had been implied in the Approved CIP.

CIP Reconciliation: G.O. Bonds (\$000)									
	FY 09	FY 10	FY 11	FY 12	FY 13	FY 14	FY 09-14	Comments	
Council, thru April 1	-2,207	71,454	124,857	116,164	71,980	-19,372	362,876	Assumes new Rec. Tax est.	
Transportation									
Goshen Road South	-2,350	-1,850						-4,200 Delete (finish Fac. Planning first)	
Falls Road Hiker-Biker Path	-50	-1,130	-2,930	-2,365	-3,960	1,405		-9,030 Delay 2 yrs. reassign imp tax	
Ride On Fleet Expansion			-2,000	-3,000	-4,000	-5,000		-14,000 Delete; reassign imp. tax	
Montrose Parkway East		-3,000	-5,599	-11,116	-6,020	3,904		-21,831 Delay con 2 yrs. reassign imp tax	
North County Maintenance Fac.	-1,633	-23,645	-29,647	1,035				-53,890 Delete construction funds	
General Government									
Life Safety Systems: MCG			-125	-125	-175	-175		-600 Add half of increase in 11-14	
PLAR: MCG			-100	-150	-200	-250		-700 Add half of increase in 11-14	
Resurfacing Parking Lots: MCG			-125	-125	-250	-250		-750 Add half of increase in 11-14	
Public Schools									
North Chevy Chase ES Gym	-275	-2,200		2,200	275			0 Defer from 8/10 to 8/12	
Westbrook ES Gym	-275	-2,200		2,200	275			0 Defer from 8/10 to 8/12	
Cold Spring ES Gym	-275	-2,200		2,200	275			0 Defer from 8/10 to 8/12	
PLAR	-583	-378	-203	-203	-203	-203		-1,773 Add half of increase	
Roof Replacement	-280	-280	-280	-280	-280	-280		-1,680 Add half of increase	
Improved (Safe) Access to Schools	-200	-200	-200	-200	-200	-200		-1,200 Add half of increase	
BIMPI	-2,500	-2,500	-1,500					-6,500 Add half of increase	
Paint Branch HS	-2,000	-33,969	-7,829	25,011	9,910	8,877		0 from 8/11 to 8/12	
Gaithersburg HS	-2,109	-703	-40,102	-4,351	30,115	12,460		-4,690 from 8/12 to 8/13	
Wheaton HS		-1,993	-2,658	-37,680	-44,483	22,787		-64,027 from 8/14 to 8/16	
Seneca Valley HS				-2,216	-738	-40,020		-42,974 from 8/16 to 8/17	
Wootton HS						-7,351		-7,351 from 8/18 to 8/19	
M-NCPPC									
Laytonia Recreational Park		-908	-2,041	-1,301	2,500	1,750		0 Delay 1 year	
Legacy Open Space	-500	-500	-500	-500	-500	-500		-3,000 Delay \$3M to after FY14	
Minor New Construction-NL	-75	-75	-75	-75	-75	-75		-450 Add half of increase	
Public Safety									
Animal Shelter		-2,000						-2,000 Assume \$2M contributions	
Cabin John FS #30			-3,332	-3,380				-6,712 Design funds only	
Clarksburg FS		-2,924	-9,150	-2,137				-14,211 Design funds only - no site	
Glen Echo FS			-2,934	-7,322				-10,256 Design funds only	
Glenmont FS #18 Replacement				-10,011	-5,433			-15,444 Design funds only	
Kensington/Aspen Hill FS #25				-7,013	-4,347			-11,360 Design funds only	
PRC Kitchen					-2,216	-1,000		-3,216 Design funds only	
Judicial Center Annex				-5,000	-15,000	-5,000		-25,000 Stretch out to FY15	
2nd Dist Police Station		-491	-770					-1,261 REOI to be issued	
3rd Dist Police Station			-378					-378 Design funds only	
5th Dist Police Station			-777	-1,089	259	572		-1,035 Delay 2 years	
Outdoor Firearms Training					-429			-429 Design funds only	

[illegible]